



January 5, 2005

## President Nakanishi's New Year Message

A Happy New Year to all of you!

While the Japanese economy continued on a recovery path last year, its slowing trend became quite apparent in the second half of the year. Also, the extremely severe business environment continued on, with the naphtha price showing a steep rise to the same level as the Gulf-War period, impacted by the crude oil price's renewing the historic highs.

With such a background, Mitsui Chemicals started its new 2004 Medium-Term Business Plan last year with the keyword: "Change Business Structure and Strengthen Profitability" by engaging in "Strengthening Profitability in the Petrochemicals & Basic Chemicals Sector" and "Expanding and Growing the Performance Materials Sector."

Last year, in the Petrochemical & Basic Chemicals sector, we worked on specific measures such as converting Osaka Works to a propylene center and initiating a comprehensive cooperative arrangement with Idemitsu Kosan. In Performance Materials sector, the company focused on strengthening and expanding functional polymers, information & electronic materials and healthcare materials.

As for the critical issues for this year, we have "Accelerate the Expansion of Performance Materials Sector," "Further Strengthen the Profitability of Petrochemical & Basic Chemicals Sector" and "Accelerate the Strategy for Global Operation."

Specifically, in order to "Accelerate the Expansion of Performance Materials Sector", we intend to push ahead with: (1) further improving R&D efficiency allowing us to invest our limited management resources more efficiently and effectively, (2) bolstering the marketing setup, and (3) formulating and executing a new set of expansion measures for Performance Materials.

With regard to the issue of "Further Strengthening the Profitability of Petrochemical & Basic Chemicals Sector," we intend to promote measures including: (1) appropriate countermeasures against the very volatile and steep rises in the raw material and fuel prices since last year, (2) a smooth start-up of

Prime Polymer Co., Ltd., our new polyolefins JV with Idemitsu Kosan to be established this April and achieving an early realization of synergy effect based on the JV's operation, and (3) strengthening of our operating base in Ichihara Area by further expanding our cooperation with Idemitsu Kosan.

As for the issue of "Accelerate the Strategy for Global Operation," I would like to note this is the particular year in which our China plans move into a full swing. Beginning with the start of commercial operation of polypropylene-based compounding for automotive materials in May, our China initiatives will move on to fully pushing ahead with our Bisphenol-A, or BPA, joint-venture project with Sinopec Corp. In addition, MCI intends to accelerate its studies into setting up the next Asian production base for the aromatics product chain consisting of phenol, BPA, purified terephthalic acid, or PTA, and PET resins.

At the same time, the company has identified "Strengthening the Production Site Capabilities" as another critical issue for this year. We intend to tackle the various measures for sustaining the frontline production sites as they ought to be, while always giving top priority to assuring safety.

In closing, please let me note that we will be holding, as we did in 2003, the Second Mitsui Chemicals International Symposium on Catalysis Science (MICS 2005) in March. We are proceeding with our preparations in order to have the Symposium contribute as much as possible to the development of catalysis science both in Japan and abroad, and are looking forward to a great turn-out.

By steadily fulfilling those issues, let us all make the New Year 2005 a year of another big leap toward "Qualitative Expansion" and "Strengthening the Production Site Capabilities" for the entire Mitsui Chemicals Group.

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